



## Approval of Rates – Action Item

### Action Required

Recommendation: Approve the Fiscal Year 2006/07 Rate Package for implementation in July 2006.

### Introduction

The Department of Technology Services (DTS) provides a wide range of information technology (IT) services to numerous state and local government agencies. The DTS is funded from the DTS Revolving Fund, which is financed from revenues received from customer agencies for IT services rendered. The DTS is solely funded from these payments for services and has no other outside sources of funding.

One of the statutory authorities of the Technology Service Board (TSB) is the review and approval of DTS' rate packages. At the March 29, 2006 TSB meeting, DTS presented an overview of how rates are calculated, current issues with the rate structure, and a proposed "phased" approach to addressing some of the known rate issues. The DTS also submitted a set of "Rate-Setting Guiding Principles" which was adopted by the TSB.

This rate proposal provides the TSB with the first phase of our rate restructures.

### Fiscal Year 2006/07 Rate Package

***Rate Package Proposes to Eliminate or Consolidate Some Rates.*** Specifically, the FY 2006/07 rate package includes a ten percent reduction in mainframe processing, collapsing or reduction of storage, tape and other non mainframe rates, and restructuring of mid-range services. The CPU reduction primarily addresses DTS' over-collection issues. This reduction, however, does not account for the new workload attributed to the Child Welfare Services/Case Management System, which was recently transferred to DTS from a private data center and may result in some further reduction of DTS mainframe rates. Appendix A, is a memo that to released to customers upon TSB approval of the rate package, includes details on the rate changes.

### Customer Impact

***Nearly All DTS Customers Will Experience A Net Reduction In Costs.*** However, as a result of the realignments in some storage rates, customers who store large amounts of data and do not utilize mainframe processing services could



experience a net cost increase. Only two county customers fall into this category and we are working with them to mitigate any potential increase by identifying opportunities for data cleanup and any other less costly storage methods. The DTS is currently working with these two counties to identify opportunities for data clean-up and other less costly storage methods.

## Budget Impact

***The Total Revenue Impact Is A \$16.3 Million Decrease.*** Of this amount, \$9 million is in mainframe CPU revenue. The remaining \$7.3 million is from several different revenue streams.

## Next Steps

***Recommend Approval of FY 2006/07 Rate Package.*** The proposed FY 2006/07 rate package is DTS' first step towards restructuring its rates and ensuring consistency with the guiding principles for rates. In addition, the rate package provides most DTS customers with an overall net reduction in costs. For these reasons, we recommend that the TSB approve the FY 2006/07 rate package. Upon TSB Approval of the rate package, DTS will provide its customers with written notification of the changes.



Agenda 4B  
Appendix A

## Memorandum

**To:** Will Bush, Undersecretary  
State and Consumer Services Agency  
915 Capitol Mall, Suite 200  
Sacramento, CA 95814

**Date:** April 28, 2006

**From:** Department of Technology Services

**Subject:** DTS Revisions to Billing Rates for July 2006

The Department of Technology Services (DTS) is pleased to announce rate changes that will become effective July 1, 2006. These key rate changes represent the first service areas to be realigned and merged to provide our customers a common rate structure. The DTS will continue to identify common services and work toward a common rate structure. The overall goals are to:

- Align the rates for common services,
- Eliminate rates where possible in an effort to simplify the cost recovery model for DTS customers, and
- Reduce the overall costs to DTS customers.

The net impact of this rate package will reduce rates and revenues by approximately **\$16.3 million** over 12 months.

The following is a summary of key changes, effective on July 1, 2006:

- **CPU:** A decrease of 10%, reducing the current rate of \$1,547.00/hour\* to \$1,392.00 for all DTS MVS/OS390/ZOS mainframe customers.
- **Remote Output:** The DTS rates of \$.05/page/image weekday and \$.04 on weekends for remote output data transferred will be eliminated. The service will continue to be provided and costs recovered with the CPU rate. This change impacts Gold Camp customers only.
- **Mainframe Disk Storage:** The new mainframe disk storage rate will be \$.8667/gigabyte/day for all DTS customers. The Cannery Campus will change its billing metric from gigabyte/month to gigabyte/day with daily DASD scans as opposed to once per month. This rate adjustment is an increase equivalent to \$26.00 from the current rate of \$18.35/gigabyte/month at the Cannery Campus; however this increase is offset by the elimination of "Disk Device Connect Time" (see page 2). Gold Camp will change its Disk Storage billing metric from megabyte/day to gigabyte/day. The effect to Gold Camp published rates is a 61% decrease (a rate reduction from \$.0022/megabyte/day to \$.00087/megabyte/day) or \$.8667/gigabyte/day for a 30-day month. Gold Camp will eliminate the current array of MVS/OS390/ZOS disk storage rates to simplify billing.

- \* Based on normalization to an IBM 2064-116 model rated at 8117.7067 SUs per second.
- **ADABAS Disk Storage:** The DTS ADABAS monthly disk storage rate will also be \$26.00/gigabyte/month. This rate is currently \$18.35/gigabyte/month at Cannery and \$0.0651/megabyte/month (or \$65.10/gigabyte/month) at Gold Camp.
  - **Disk Device Connect Time:** The rate of \$0.014/second will be eliminated from the DTS rate schedule. This applies to Cannery customers only.
  - **Tape Storage:** The Tape Storage monthly rate will be \$1.00/tape/month for all DTS customers, a change from \$0.51 at the Cannery and \$0.70 at Gold Camp.
  - **Tape to DASD Redirect:** Rates at Gold Camp will be collapsed from three rates depending on dataset size to a single rate of \$0.033/dataset/day.
  - **Offsite Tape Storage:** DTS is adopting a common rate for offsite tape storage of a \$1.55/tape/month at the outsourced vendor for vaulted tape storage. The current rate is \$1.38 at Cannery and \$.70 at Gold Camp.
  - **Tape Device Connect Time:** The Tape Device Connect Time rate of \$0.029/second will be eliminated. The change affects Cannery customers only.
  - **Store Outside Tape/Disk:** The monthly storage rate of \$3.50/month at Gold Camp for customer-owned tape or disk media will be eliminated. A customer-owned tape or disk that customers may need to process at DTS will be returned to the customer after a maximum of 60 days.

DTS Gold Camp will revise/eliminate the following Services Rates:

- **Non-TMS Tape Handling/Verification:** The \$22.50/container handling rate will be eliminated.
- **Tape Cleaning:** The \$3.00/tape cleaned rate will be eliminated.
- **Tape Evaluation/Clean:** The \$6.00/tape evaluation and cleaning rate will be eliminated.
- **Tape Initialization:** The \$3.00 rate/tape initialized will be eliminated.
- **Tape Copies and Data Set Restores:** The \$20.00/tape copy and the \$5.00/dataset restore rates will be eliminated. The customer's account code will continue to be used in the jobs used for restores or copies. Large restore requests requiring large amounts of old data and significant staff time will also be charged consulting rates.
- **VM Services (Gold Camp only):** The DTS VM rates and utilization will be collapsed into two rates for an overall VM cost reduction of approximately 24% in overall revenues. These rates will no longer appear on the DTS website rates page as the service is not a part of the long-range DTS business direction. VM services will continue to be offered to current customers.
  - **VM CPU:** The existing rate of \$510.00/hour will be changed to \$1,400.00/hour. This will recover expenditures and account for merging and elimination of the other VM rates.
  - **Disk Storage:** \$.0020/megabyte/day will be reduced from the current rate of \$.0026/megabyte/day.
  - **Eliminate VM Rates for:** Connect Time, Start I/Os, Temporary Disk Space, RSCS records sent and VM Shared File System Space.

- **Administrative Fee:** The administrative fee for all direct pass-through costs will be 5% for all DTS customers with a maximum fee of \$10,000 for any single procurement. The Department of General Services processing fees of 2.48% and 2.52% will be charged to recover DTS Administrative/Procurement staff costs, equaling a 5% administrative fee.
- **Consulting Rates:** Existing published rates will be standardized for DTS. Rates will range as follows:
  - Certified Level--\$115/hour
  - Staff/Senior Level--\$90/hour
  - Associate Level--\$75/hour
- **Solaris Server:** The monthly per processor component will be changed to per processor **core** and the rate per processor core will be \$290 per month.
- **AIX Application Hosting:** The AIX Application Hosting monthly rates will be updated as follows:

| (rate/month)    | <b>Tier 1<br/>1 Processor<br/>Core</b> | <b>Tier II<br/>2<br/>Processor<br/>Cores</b> | <b>Tier III<br/>4 or 6<br/>Processor<br/>Cores</b> | <b>Tier IV<br/>8+ Processor<br/>Cores</b> |
|-----------------|--|--|--|---|
| Base System     | \$2,480                                | \$4,320                                      | \$7,990  | \$15,330                                  |
| Processor Core  | \$290                                  | \$290  | \$290  | \$290                                     |
| Memory (per GB) | \$75                                   | \$75   | \$75   | \$75                                      |
| One-Time Setup  | \$460                                  | \$460  | \$460  | \$460                                     |

**AIX/Solaris Disk Storage:**

| (rate/month)                  | Tiers I-IV       |
|-------------------------------|------------------|
| Basic Storage** (JBOD, RAID0) | \$15.00/gigabyte |
| RAID5 Storage                 | \$18.35/gigabyte |
| Mirrored Storage (RAID1)      | \$25.00/gigabyte |

\*\* Not available for database storage.

- **Wintel Server Rates:** The Wintel Application monthly hosting rates will be updated as follows:

| (rate/month)                | Tier I<br>Windows Standard Server<br>2 Dual Processor Cores<br>2 GB Memory<br>60 GB Storage | Tier II<br>Windows Standard Server<br>4 Dual Processor Cores<br>4 GB Memory<br>60 GB Storage |
|-----------------------------|---|--|
| Base System                 | \$1,630   | \$2,070  |
| Additional Memory (per GB)  | \$29  | \$29   |
| Additional 36GB Storage     | \$16  | \$16   |
| Windows Enterprise Edition* | \$47  | \$47   |
| One-Time Setup              | \$460   | \$460  |

\*Required with more than 4GB Memory

- **Shared Web Hosting:** The Shared Internet Hosting rates will be revised as follows:
  - One-time setup fee of \$500/web instance.
  - **Tier I:** Shared Web Hosting Service – The monthly rate of \$75/website, includes: shared server, 1 domain name registration, 1 FTP userID, up to 20 megabytes of storage and 200 megabytes of data transmission.
  - **Tier II:** Shared Web Hosting Service – The monthly rate of \$193/website, includes shared server, 1 domain name registration, 1 FTP userID, 20 to 250 megabytes of storage and 200 megabytes to 10 gigabytes of data transmission.

**Tier II add-ons:**

  - Additional 75 MB storage \$25/month
  - Additional 1 GB data transfer \$13/month
  - Additional Domain Name registration \$10
- **Midrange Database Server Licenses:** All database licenses (DB2, Oracle, etc.) and maintenance costs will be billed as a direct pass-through cost to customers, upon contract renewal. The billing for the license will be a one-time charge, with subsequent maintenance following; both with a 5% administrative fee (up to the maximum fee of \$10,000).

The monthly staff support rate will be \$1,230.60/server. The monthly staff support for SQL is \$410.20/server.

The following new services are also under review and will have published rates by mid-year during Fiscal Year 2006/2007:

- **Exchange:** The State-wide Email service, currently under review, will provide customers with e-mail and related messaging services that are reliable and secure. The DTS is evaluating options to encourage and motivate customers to move to the DTS State-wide offering and away from fragmented and sometime incompatible systems. As part of the evaluation, DTS will identify and implement features needed to make a viable State-wide Email service offering.
- **Server Based Computing Service (SBCS)** – This new offering for DTS customers will include the hosting, management and maintenance of end-user applications on centralized server farms co-located with back end services such as: file, print, database and Email in lieu of maintaining the software programs on each user's desktop. DTS clients would access these centralized applications via a web browser utilizing SSL and ICA encryption in conjunction with two-factor authentication to provide a secure enterprise transport layer.

The following published rates will be removed from the DTS Rate Schedule, as they are no longer a part of the long-term business direction of DTS. Customers utilizing these services will be encouraged, over time, to newer and more effective IT solutions for these applications:

- VM platform rates;
- Teradata rates; and
- Unisys platform rates

For more information on DTS rate setting strategies and guiding principles, please see the following websites: [http://www.dts.ca.gov/tsb/pdf/unification\\_of\\_rates.pdf](http://www.dts.ca.gov/tsb/pdf/unification_of_rates.pdf) and [http://www.dts.ca.gov/tsb/pdf/rate\\_guiding.pdf](http://www.dts.ca.gov/tsb/pdf/rate_guiding.pdf). To view a copy of the DTS Billing Rates schedule, please visit the DTS web site at: <http://www.dts.ca.gov>. If you have any questions, please contact Colleen Field at (916) 464-0997 (CALNET 433-0997) or Natividad Nevarez at (916) 739-7683.

DTS values your continuing support and welcomes your suggestions.

**P.K. Agarwal**, Director  
Department of Technology Services

Attachment

☐ **Approved** \_\_\_\_\_  
Will Bush, Undersecretary  
State and Consumer Services Agency